



PRESS RELEASE

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IRS – Criminal Investigation

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Former NBA Player Indicted on Charity Fraud Scheme

A federal grand jury sitting in Kansas City, Missouri, returned an indictment Monday, which was unsealed this morning, against a former professional basketball player and representative for the National Basketball Players Association (NBPA), charging him with corruptly interfering with the internal revenue laws, conspiracy to commit wire fraud, obstruction of justice and aggravated identity theft, announced Acting Assistant Attorney General Caroline D. Ciralo of the Justice Department's Tax Division and U.S. Attorney Tammy Dickinson of the Western District of Missouri.

The indictment alleges that Kermit Alan Washington, 64, used a charity he founded and operated, Project Contact Africa (PCA), to defraud donors, eBay and PayPal and the Internal Revenue Service (IRS). In order to induce individuals, including former professional athletes, to make donations to PCA, Washington falsely represented that 100 percent of the donations would go to Africa. However, Washington diverted charitable donations from PCA to buy gifts and pay personal expenses, including rent, vacations, jewelry and entertainment.

"Individuals who use charitable organizations to defraud donors and evade tax obligations inflict substantial harm on every U.S. taxpayer and cause untold damage to well-intentioned charitable endeavors," said Acting Assistant Attorney General Ciralo. "The Department is committed to identifying those engaged in such criminal conduct and holding them accountable."

"The federal indictment alleges this former NBA player used his celebrity status to exploit the good intentions of those who donated to a charity he founded, called Project Contact Africa," said U.S. Attorney Dickinson. "According to the indictment, Washington profited by diverting hundreds of thousands of dollars in donations that was supposed to benefit a clinic in Africa for needy families and children, but instead bankrolled his own personal spending."

It is alleged that Washington referred professional athletes to Ron Mix, a former professional football player and an attorney licensed in the state of California, whose

practice focused on the filing of workers' compensation claims on behalf of former professional athletes. In exchange for the referrals, Mix made payments to PCA and claimed those amounts as charitable deductions on his personal tax returns. Upon receipt of these payments, Washington diverted the funds for his own personal benefit. Washington filed false individual income tax returns for 2010 through 2013, failing to report the funds he diverted from PCA and false Forms 990-EZ on behalf of PCA. Washington also falsified PCA's corporate minutes to obstruct the investigation and used the identity of another individual to perpetrate this scheme.

It is further alleged that Washington conspired with others to defraud eBay and PayPal, customers and donors of PCA by allowing the co-conspirators to use PCA's name, tax-exempt status and IRS Employee Identification Number (EIN) with eBay and PayPal so the co-conspirators could avoid substantial listing and registration fees incurred in operating online, for-profit businesses. Moreover, customers who made purchases falsely believed that 100 percent of the proceeds from the co-conspirators' online eBay sales benefited PCA. In exchange for allowing the co-conspirators to use PCA's tax-exempt status, Washington received payments from the co-conspirators.

Washington was arrested yesterday in Los Angeles and had his initial appearance in U.S. District Court in the Central District of California. Washington was ordered to surrender his passport and released on bond and must wear a location monitoring device. Washington's next court date is tentatively scheduled on June 16 before U.S. Magistrate Judge John T. Maughmer in the Western District of Missouri.

If convicted, Washington faces a statutory maximum sentence of three years in prison on the charge of corrupt interference with the internal revenue laws, 20 years in prison on the charge of conspiring to commit wire fraud, 20 years in prison on the charge of obstruction and a mandatory sentence of two years in prison for the charge of aggravated identity theft, which will be in addition to any other term of imprisonment he receives. He also faces supervised release, a maximum fine of \$250,000 on each count and restitution.

Acting Assistant Attorney General Ciraolo and U.S. Attorney Dickinson commended special agents of IRS-Criminal Investigation, Immigration and Customs Enforcement's Homeland Security Investigations, who investigated the case and Assistant U.S. Attorneys Patrick Daly and Curt Bohling of the Western District of Missouri, and Trial Attorney Ryan Raybould of the Tax Division, who are prosecuting the case.

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